STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

AMEREN ILLINOIS COMPANY d/b/a Ameren Illinois,	))	
	)	Docket No. 13-0476
	)	
Revenue-neutral tariff changes related to rate design. (tariffs filed on July 22, 2013)	))	

INITIAL BRIEF OF THE STAFF OF THE ILLINOIS COMMERCE COMMISSION

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NOW COME the Staff witnesses of the Illinois Commerce Commission ("Staff"), by and through their undersigned counsel, pursuant to Section 200.800 of the Illinois Commerce Commission's Rules of Practice (83 Ill. Adm. Code 200.800), and respectfully submit their Initial Brief in the instant proceeding.

I. INTRODUCTION

A. Introduction

On July 22, 2013, Ameren Illinois Company ("AIC", "Ameren" or "Company") filed with the Illinois Commerce Commission ("Commission") the rate design formula tariff provisions of Rate MAP-P ("Modernization Action Plan – Pricing Tariff"), in accordance with Section 16-108.5(e) of the Public Utilities Act ("Act"). Ameren Illinois Company, ICC Suspension Order, Docket No. 13-0476, 1 (August 14, 2013). Section 16-108.5(e) permits the Commission, after notice and hearing, to enter an order approving or approving with modification, proposed changes to Rate MAP-P. (Id.)

Under the Act, the Commission has 240 days after the utility's filing to issue a final order.[1] Section 16-108.5(c) provides in part, that any changes ordered by the Commission are to be made at the same time new rates take effect following the Commissions next order pursuant to subsection (d)[2] of 16-108.5, provided that the new rates take effect no less than 30 days after the date on which the Commission issues an order adopting the change. 220 ILCS 5/16-108.5(c). The procedural schedule in this docket contemplates a Commission final order in March of 2014. With that assumption, any changes ordered by the Commission in this docket would not take effect until January 1, 2015.

On September 11, 2013, an initial status hearing was held in this matter. Ameren, Staff, the People of the State of Illinois by Attorney General Lisa Madigan ("AG"), the Citizens Utility Board ("CUB"), the Illinois Industrial Energy Consumers ("IIEC"), and the Grain and Feed Association ("GFA") agreed on a schedule for the filing of Staff and Intervenor direct testimony, Company rebuttal testimony, Staff and Intervenor rebuttal testimony, and Company surrebuttal testimony. The parties also agreed on the dates for: (a) evidentiary hearings, (b) initial briefs, (c) reply briefs, (d) ALJ's proposed order, (e) briefs on exceptions, and (f) reply brief on exceptions. (Tr. 13.)

In accordance with the agreed to schedule, an evidentiary hearing was held on December 11, 2013. Testimony was offered by Staff, Ameren, AG, IIEC, and GFA into

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[1] 240 days from the filing at issue in Docket No. 13-0476 is March 19, 2014.

[2] Subsection (d) of Section 16-108.5 allows for hearing concerning the annual update to the cost inputs of the Company's formula rate. In a proceeding under subsection (d), the Commission is to enter its order no later than the earlier of 240 days after the utility's filing of its annual update of cost inputs to the performance-based formula rate or December 31. 220 ILCS 5/16-108.5(d). Ameren Illinois Company made its subsection (d) filing on April 19, 2013. The matter was docketed as Docket No. 13-0301. 240 days from the filing of Ameren Illinois Company's formula rate update filing is December 15, 2013.

evidence, either by supporting witness testimony or by affidavit. The ALJ admitted the parties' respective testimony and attachments and exhibits into evidence.

The following Staff witnesses provided testimony: Philip Rukosuev (Direct, Staff Ex. 1.0C and Rebuttal, Staff Ex. 4.0), Cheri L. Harden (Direct, Staff Ex. 2.0 and Rebuttal, Staff Ex. 5.0), and Mary H. Everson (Direct, Staff Ex. 3.0C and Rebuttal, Staff Ex. 6.0). Staff's initial brief follows.

B. Nature of AIC's Operations

See I.A. above.

C. Legal Standard

With respect to rate design and cost allocation, Section 16-108.5(c) provides as follows:

> Until such time as the Commission approves a different rate design and cost allocation pursuant to subsection (e) of this Section, rate design and cost allocation across customer classes shall be consistent with the Commission's most recent order regarding the participating utility's request for a general increase in its delivery services rates.
>
> . . .

220 ILCS 5/16-108.5(c).

Section 16-108.5(c) further specifies the timing for when any changes shall be made to new rates. This section provides:

> Any change ordered by the Commission shall be made at the same time new rates take effect following the Commission's next order pursuant to subsection (d) of this Section, provided that the new rates take effect no less than 30 days after the date on which the Commission issues an order adopting the change.

<u>Id.</u>

Finally, the provisions of EIMA, specifically, Section 16-108.5(e) provides:

> Nothing in subsections (c) or (d) of this Section shall prohibit the Commission from investigating, or a participating utility from filing, revenue-neutral tariff changes related to rate design of a performance-based formula rate that has been placed into effect for the utility. Following approval of a participating utility's performance-based formula rate tariff pursuant to subsection (c) of this Section, the utility shall make a filing with the Commission within one year after the effective date of the performance-based formula rate tariff that proposes changes to the tariff to incorporate the findings of any final rate design orders of the Commission applicable to the participating utility and entered subsequent to the Commission's approval of the tariff. The Commission shall, after notice and hearing, enter its order approving, or approving with modification, the proposed changes to the performance-based formula rate tariff within 240 days after the utility's filing. Following such approval, the utility shall make a filing with the Commission during each subsequent 3-year period that either proposes revenue-neutral tariff changes or re-files the existing tariffs without change, which shall present the Commission with an opportunity to suspend the tariffs and consider revenue-neutral tariff changes related to rate design.

220 ILCS 5/16-108.5(e).

II. COST ALLOCATION

A. Resolved Issues

i. Allocation Using Supply and Service Voltage Designations

Staff recommends that the Commission accept AIC’s cost allocation approach using supply and service voltage designations as used in AIC's cost of service studies. (Staff Ex. 1.0C, 13.) AIC proposed to use both supply and service voltage to allocate distribution plant rather than supply voltage only. AIC witness Schonhoff explains that using both supply and service voltage will better determine the collective demand of all customers within each rate class and each rate class’s relative contribution to total system demand at each voltage level of the distribution system. (Ameren Ex. 2.0, 7:134-143.)

AIC’s proposed methodology in this proceeding is not new at all. AIC is asking the Commission to reinstate the results of what it believes was a resolved issue in Docket No.

11-0279, where the Administrative Law Judge stated in his Proposed Order that "[t]he Commission accepts AIC's cost allocation approach using supply and service voltage designations as used in AIC's COSS." (Ameren Illinois Company, ICC Proposed Order ("PO") Docket No. 11-0279, 147 (Nov. 15, 2011).) In that case, the PO accepted AIC's implementation of the cost allocation approach that AIC is again proposing in this docket. (Staff Ex. 1.0C, 11.) At that time, however, as a result of the newly enacted Energy Infrastructure Modernization Act ("EIMA"), Docket No. 11-0279 was dismissed, per the requirement of the law, before the Commission issued a final order.

Staff agrees with AIC that a failure to recognize both supply voltage and service voltage results in illogical and inappropriate allocations of costs. (Id., 11.) In Docket Nos. 09-0306 through 09-0311 (Cons.), the Commission directed AIC to use supply voltage as the allocator of distribution assets to DS-4 customers in future electric rate filings unless more persuasive evidence was provided. (Id., 11-12, *citing* AmerenCILCO, *et al.*, ICC Order Docket Nos. 09-0306 - 09-0311 (Cons.), 231 (April 29, 2010).) . In that proceeding, the Commission's Order stated that "the Commission must try to ensure that costs are allocated to those who cause the cost." (Id., 12.) To that end, in Docket No. 11-0279, new supporting evidence was provided, where AIC proposed a new cost allocation approach using supply voltage and service voltage designations. This approach further refined AIC's electric ECOSS and led to a more transparent and accurate allocation of costs at the subclass level. (*See* Ameren Ex. 32.0 Rev., 22-23, ICC Docket No. 11-0279.) In that case, no party proposed a different allocator or recommended that AIC continue to allocate assets based solely on supply voltage. AIC has once again provided that information in this case. Therefore, Staff agrees that the Commission should approve

AIC’s cost allocation approach using supply and service voltage designations as used in AIC's COSSs.

ii. Functionalization of Overheard Distribution Lines

Staff recommends that the Commission should AIC’s proposed modification to its functionalization of overhead distribution lines as it more accurately and consistently categorize costs and results in an ECOSS that more accurately assigns costs to the rate classes. (Staff Ex. 4.0, 3.)

AIC currently functionalizes FERC Accounts 364-365 (overhead distribution lines) to the following voltage levels: Secondary (<600), Primary (600V-30kV), Distribution Voltage (30kV-100kV), and +100kV Distribution. Functionalization of costs associated with these FERC Accounts involves two stages, which are discussed in detail in Ameren Ex. 2.0, 14:279-15:308. (Staff Ex. 1.0C, 7.) AIC proposes a modification that will involve only one stage. (Id.) According to AIC, because the proposed method relies on actual data for all Rate Zones and is more internally consistent, it results in a better functionalization of costs. (Id.)

Staff agrees conceptually with using a more accurate method to functionalize these costs. (Id., 8.) However, Staff noted that despite AIC's efforts to provide a better method for functionalizing overhead distribution lines, Staff was not confident that implementation of its proposal is as straightforward as AIC suggests. Specifically, Staff expressed concern that AIC has not provided enough justification for its proposal. (Id., 7-8.) Therefore, Staff requested that AIC address Staff’s concerns in its rebuttal testimony, explain its revised methodology in greater detail, and provide a more complete cost justification. (Id., 9.) AIC subsequently provided extensive supportive information for its new functionalization methodology in its rebuttal testimony. (Ameren

Ex. 5.0, 3-9.) After reviewing the additional arguments advanced by AIC in favor of its new functionalization methodology, Staff agrees that AIC provided sufficient justification to substantiate the reason for the changes to the functionalization of overhead lines. Most importantly, the information provided by AIC indicates that AIC's proposal is revenue neutral, so AIC will not benefit from its recommendation, and customers will benefit to the extent that the change in methodology results in an improved cost of service study that produces a more accurate guide for future rate design and pricing. (Id., 4.)

Therefore, after reviewing the supportive information provided by AIC in its rebuttal testimony, Staff agrees that AIC's method provides for a better functionalization of costs and should be approved by the Commission. (Staff Ex. 4.0, 3.)

iii. Use of CUST370 and CUST370A Allocation Factors for Meter Investments

B. Contested Issues

i. Allocation for Primary Distribution Line Costs

Staff recommends that the Commission direct AIC to allocate primary line costs to the customer rate classes in the following way: For DS-1, DS-2, DS-3 and DS-4, allocation of primary lines will be based on CP demands. For DS-5, allocation of primary lines will be set equal to 50% of Company's proposed NCP method, which is approximately equal to the 12CP[3] allocation method. For DS-6, allocation of primary lines should be equal to the percentage derived under the Company's NCP method.

[3] Coincident 12 CP Demand – The demand value derived by averaging the actual demand values registered on the monthly peak days for January through December.

(*See* AIC Cross Ex. 3.) This new methodology, called the modified primary line allocator, was agreed upon between Staff and AIC as a compromise in order to reduce issues and reach a reasonable resolution to the issue of how primary lines should be allocated. It should be noted that IIEC was not part to this agreement. (Tr., 131, December 16, 2013.)

The question of whether to use the NCP or the CP methodology to allocate the costs of primary lines (and substations) was the subject of great debate in Docket Nos. 09-0306 - 09-0311 (Cons.). (Staff Ex. 1.0C, 25.) Prior to Docket Nos. 09-0306 - 09-0311 (Cons.), AIC used the NCP allocator approach. (*Id.*) In Docket Nos. 09-0306 - 09-0311 (Cons.), Staff recommended that the Commission direct AIC to switch away from using the NCP demand allocator approach in favor of the CP methodology. The Commission agreed and directed AIC to use CP, rather than NCP, as an allocator. However, in this proceeding, AIC recommended that the cost of gross plant associated with primary distribution lines be allocated to each class using NCP demand allocator. (Id., 24.)

Prior to Staff and AIC reaching a compromise in this docket, AIC, IIEC and Staff were debating the proper allocator for primary distribution lines. Staff argued in favor of the CP method for a number of reasons. First, in Docket Nos. 09-0306 – 09-0311 (Cons.), the Commission had to determine which allocation method, NCP or CP, best allocates the costs of primary distribution lines and substations. Ultimately, the Commission ruled in favor of the CP methodology and stated as follows:

> Because the demands of multiple classes on primary lines and substations more closely correspond to CP rather than NCP demands, the Commission agrees with Staff that the most reasonable, cost-based approach is to allocate the cost of this equipment according to the collective peak demands of all rate classes.

(AmerenCILCO, *et al.*, ICC Order Docket Nos. 09-0306 – 09-0311(Cons.), 237 (April 29, 2010).)

Second, this issue was the topic of debate in ComEd Docket Nos. 08-0532 (Commission's Rate Design Investigation case) and 10-0467 (ComEd's Proposed general increase in electric rates). Docket No. 08-0532 was initiated on September 10, 2008. The Commission's Final Order was issued on April 22, 2010. Thus, the Commission spent 18 months investigating several aspects of ComEd's rate design, including the NCP v. CP issue. ComEd, IIEC, and the Commercial Group argued in favor of the NCP methodology. (Commonwealth Edison Company, ICC Order Docket No. 08-0532, 45 (April 21, 2010).) Staff and the City of Chicago were on the other side of the spectrum, arguing that the Commission should adopt the CP method. (Staff Ex. 1.0C, 29.) The Commission accepted Staff's and the City's arguments and adopted the CP methodology. (Id., 30.) Thereafter, in Docket No. 10-0467, the Commission once again sided with Staff and the City of Chicago on the use of the CP allocation method. (Commonwealth Edison Company, ICC Order Docket No. 10-0467, 202-203 (May 24, 2011).) Despite the Commission's three recent pronouncements on this issue dealing with the two largest electric utilities in Illinois, AIC asked that the Commission reverse course and use the NCP method to allocate primary lines. After reviewing the initial filling in this proceeding, Staff argued that AIC presented no compelling arguments that warrant the Commission reversing, directly and indirectly, its three recent decisions. In fact, for the most part, Staff argued that AIC rehashed arguments made in the prior case with respect to this issue. The Commission rejected those arguments in Docket Nos. 09-0306 - 09-0311 (Cons.). (AmerenCILCO, *et al.*, ICC Order Docket Nos. 09-0306 – 09-0311(Cons.), 237 (April 29, 2010).) (Staff Ex. 1.0C, 30.)

Throughout the course of this proceeding, AIC and IIEC presented arguments in favor of the NCP allocator, while Staff argued for maintaining the CP allocator as previously approved by the Commission. (Staff Exs. 1.0C, 23-38 & 4.0, 10-27.)

AIC disagreed with Staff's position and believed Staff was in error with respect to a few critical issues, which included (1) significant under-allocation of costs to the DS-5 class; and (2) significant under-allocation of costs to the DS-6 class. (*See* Ameren Ex. 5.0, 10.)

With respect to the DS-5 class, Staff argued that, consistent with cost-causation principles, those customers imposing a demand on the facilities at the time of the coincident peak should be allocated a proportionate share of the costs. Staff recognized that under this analysis, DS-5 lighting customers, because they tend to have zero demand during the coincident peak, are not allocated any of the costs of primary lines. In other words, DS-5 customers are not responsible for any of peak demand on primary lines, because DS-5 customers are rarely, if ever, considered in sizing primary lines (Staff Ex. 4.0, 11.), Staff believed that this result is appropriate. This is not to suggest that DS-5 customers should not be expected to pay for distribution service. DS-5 customers' delivery service charges will consist of costs for facilities and services other than primary lines. In Staff's opinion, because the demands of multiple classes on primary lines more closely correspond to CP rather than NCP demands, Staff argued that the most reasonable, cost-based approach is to allocate the cost of this equipment according to the collective peak demands of all rate classes. (*Id.,* 12.)

Furthermore, with respect to the DS-6 class, Staff recognized that there is a fundamental difference between DS-5 lighting and DS-6 customers, where the DS-5 lighting class consists of a large number of individual lighting devices with small individual demands dispersed throughout the system, and the DS-6 class consists of much fewer customers, all of which will have a relatively large demand. (Ameren Ex. 8.0:18.) Staff also recognized and agreed that DS-6 customers can drive the annual primary distribution line peak demand, pushing the peak to occur in the fall. (Ameren Ex. 8.1.)

However, Staff disagreed that the existence of the DS-6 class is a sufficient reason to impose the NCP allocator for the entire system. Staff argued that to the extent that demands by the DS-6 rate class take place during fall off-peak periods, DS-6 rate class's contribution to the need for investments in primary lines and substations will be reduced. This off-peak usage should be rewarded, not punished, which would be the case under the CP, but not the NCP, allocator. Staff maintained that it remains to be seen how many current DS-3 and DS-4 customers, who are the only customers eligible to take service under the DS-6 class, will actually switch to the DS-6 rate. In Staff's opinion, there is no indication whether some or most of Grain Dryer customers will switch to take service under the new rate classification. (Staff Ex. 4.0, 20-21). In essence, Staff considers it to be premature to tweak the entire system to utilize the NCP allocator for the benefit of a very few DS-6 potential customers.

Nevertheless, because of AIC's concern that Staff's recommendation to maintain the CP allocator will give DS-6 customers reduced cost allocations that will be borne by other customers, *see* Ameren Exhibit 8.0:19, Staff was open to listen to a reasonable resolution to this situation with AIC.

At the hearing on December 16, 2013, Staff and AIC reached a compromise on the record with respect to the proper way in which to allocate the primary distribution lines. It is important to note that while Staff was willing to work with AIC to correct the supposed flaws that AIC claims follow from the CP allocator for the DS-5 and DS-6 classes, the resulting compromise was in light of Staff's disagreement that the CP allocator should be completely eliminated and for the NCP allocator to be applied to the whole system.

Ultimately, the Staff and the Company reached an agreement on this issue which has culminated in what was refer to as a modified primary line allocator, which is contained in AIC Cross Exhibit 3. (Tr., 131, December 16, 2013.) In that agreement, the modified primary line allocator would for classes DS-1, 2, 3, and 4 allocate primary lines based on CP demands. (Id.) As for the DS-6 class, it will allocate primary lines equal to the percentage derived under the use of the NCP method. Lastly, as for the DS-5 street lighting class, it will allocate primary lines equal to 50 percent of the value derived using the NCP method, which is approximately equal to the value derived using the 12 CP method. (Id., 131-132.)

Staff believes that this modified primary line allocator to be a reasonable approach to resolution of this issue and recommends that the Commission direct AIC to allocate primary lines based on this method.

ii. Allocation for Single-Phase and Three-Phase Primary Facility Costs

1. Workshop on the Future Allocation of Single-Phase and Three-Phase Primary Facility Costs

2. Allocation of Single-Phase Primary Facility Costs to Secondary Voltage Customers

iii. Allocator for Non-Meter AMI General and Intangible Plant

Staff recommends that the Commission adopt AIC's proposal that AMI-related General and Intangible ("G&I") plant investments be allocated using a customer-related allocator instead of the current labor-related allocator; and that these plant investments should be allocated to the delivery service rate classes using the same allocation factor approved for FERC Account 370 - Meters. (Staff Ex. 1.0C, 17.)

AIC proposed a modification to its ECOSSs for the allocation of AMI-related G&I plant investments, due to the Company's current deployment of AMI within its service area, in order to more accurately spread the allocation of associated costs among customer classes. (Id., 14.) Staff agrees that this modification captures the effects of the AMI Plan's costs and benefits; namely, that the AMI Plan will require substantial investment in meters and meter-related communication network and software, while providing the benefit of decreased meter reading expenses. (Ameren Ex. 2.0, 15:310-318.)

Given that the objective for cost allocation should be to assign costs based on cost causation principles, Staff agrees with the Company's proposal for allocation AMI-related G&I Plant. (Staff Ex. 1.0C, 16.) The Company has sufficiently demonstrated that the proposed approach is justified from a cost standpoint. (Id.)

Furthermore, the AMI Plan investments will be made over an extended period, beginning in 2014. Under AIC's MAP-P tariff and formula rate process, AIC can only propose modifications to the cost allocation and rate design in separate rate re-design proceedings. (Staff Ex. 1.0C, 17.) Since AIC cannot propose an alternative method in the 2013 update filing, in which AMI Plan investments are expected to be included, Staff agrees that it is important that this modification to the ECOSS model be authorized in this proceeding. (Id.)

III. REVENUE ALLOCATION

A. Resolved Issues

i. Revenue Allocation Methodology – Rate Zone Allocators

B. Contested Issues

i. Revenue Allocation Methodology – Rate Moderation

1. Treatment of Electric Distribution

With respect to the constrained class revenue allocation proposal in this case, Staff recommends that the Commission accept IIEC's modified constrained class revenue allocation proposal to eliminate the first tier of AIC's proposed three-tiered methodology, namely the 0.05 ¢/kWh constraint, while leaving the other two-tiers intact. (Staff Ex. 4.0, 4-8.) If the Commission is not inclined to accept IIEC's proposal, then, as an alternative to eliminating the first tier, AIC's initial three tier ¢/kWh value could be modified to a lower value, say 0.025 ¢/kWh, in order to avoid high rate impact for certain customers, as proposed by AIC in surrebuttal testimony (Ameren Ex. 7.0, 35.)

The Public Utilities Revenue Act ("PURA"), 35 ILCS 620/1 *et seq.*, levies a tax on electric utilities based on the total amount of energy delivered in a year at different rates for up to seven different kilowatt-hour ("kWh") sales blocks. This Electric Distribution Tax ("EDT") also reflects credits or refunds from previous years that result from a statutory cap on the total tax collected from all electric utilities. (Staff Ex. 1.0C, 18.)

AIC argues that the DS-4 class is recovering revenue levels below their stated cost of service, and a "significant reason for the current under-recovery of costs relative to the DS-4 class is that EDT prices for DS-4 customers are well below the average cost-based price, and as a result other customer classes subsidize the DS-4 class." (Ameren Ex. 1.0C, 17:355-18:361.) AIC modeled new EDT charges under a revenue neutral rate design following a process outlined in Ameren Ex. 1.1. Specifically, AIC proposed that the impact moderation constraint would be changed from the constraint[4] approved in the 09-0306 Docket to the greater of:

> 1) 0.05 ¢/kWh;
> 2) 10%; or
> 3) a constraint multiple of the system average increase based on a sliding scale starting at 1.5 times system increase for overall increases less than 10%, and reduced by 0.0125 for each percentage point of average system increase greater than 10%, but not less than a factor of 1.0.

(AIC Ex. 1.0C, 14.)

According to AIC, using the revenue requirement proposed in Docket No. 13-0301, the effect of its revenue allocation proposal on the amount of EDT subsidy provided to DS-4 is that the subsidy amount is reduced from $13.3 million to $3.8 million. (Ameren Ex. 1.0C, 26:532-535.) Staff initially supported AIC's plan, stating that "AIC's proposal is reasonable given the slow movement towards cost-based rates for the DS-4 class to date as evident since Docket Nos. 09-0306 through 09-0311 (Cons.), and therefore, recommended that the Commission approve AIC's proposal to move the DS-4 class closer to cost." (Staff Ex. 1.0C, 22.)

In rebuttal testimony, however, Staff witness Rukosuev reviewed additional information that caused him to re-evaluate his prior recommendation that the Commission approve AIC's initial revenue allocation methodology. In particular, following Mr. Rukosuev's review of IIEC witness Mr. Stephens's direct testimony (Staff Ex. 4.0, 6.), Mr. Rukosuev embraced Mr. Stephens' proposal to eliminate the first tier of AIC's proposed

[4] In the 09-0306 Docket, the Commission adopted the proposal of IIEC and directed that no class or sub-class should receive an increase in delivery service charges greater than 1.5 times the system average increase. This approved moderation proposal has been applied by Ameren and the Commission to date. This is comparable to Mr. Jones' third criterion above.

three-tiered methodology, namely the 0.05 ¢/kWh constraint, while leaving the other two-tiers intact. Staff witness Mr. Rukosuev was particularly persuaded by two arguments advanced by the IIEC, namely that under AIC's initial three tier constrained class revenue allocation, the percentage impacts that would be experienced by the DS-4 subclasses would be too great (*i.e*. the impacts on the High Voltage and 100 kV and Above sub-class customers are much greater than on the lower voltage sub-class customers, anywhere from 29% to 306%), and also that it is inappropriate to examine the impact of AIC's proposed revenue constraint methodology in the context of a customer's total bill (*i.e*., the regulated delivery service rates that AIC proposes must be considered on their own, and should not be combined with costs of other commodities[5] or services when determining whether rate impacts are reasonable. (Id., 6-7.)

With respect to the first point advanced by IIEC in opposition to AIC's initial three-tier proposal, Staff opines that a 300% increase (or more) in delivery service charges for DS-4 subclasses is simply too much, and a more moderate movement towards cost of service is needed. With respect to the second argument advanced by IIEC, Staff argues that Mr. Stephens is correct in pointing out that AIC presents bill impacts that combine delivery service, cost of power supply, and transmission service. By doing so, AIC's original bill impact analysis shows a smaller impact than it would if the cost of power supply or any other energy or commodity supply or transmission costs in such an analysis would be excluded, as they are not relevant to electric delivery service charges. In fact, AIC does not provide the electricity distribution supply for the vast majority of DS-4 customers, as well as many DS-3 customers. (Id.)

[5] The Commission previously disallowed inclusion of commodity costs in the rate impact analysis into account in determining the proper rate moderation approach, which remains in place today. (See AmerenCILCO, *et al.*, ICC Docket Nos. 09-0306 through 09-0311 (Cons.), 291-293 (April 29, 2010).)

While bill impacts are not the only concern in allocating the revenue requirement, Staff is concerned about bill impacts for AIC ratepayers stemming from AIC's constrained class revenue allocation proposal, especially the large energy consuming customer classes. However, because costs are important as well, Staff believes that the best way to balance these two concerns is through a constrained class revenue allocation. Staff maintains, however, that any effort to address bill impacts in the revenue allocation process must be consistent and fair to all rate classes. This is why IIEC's modified proposal in this case isn't unreasonable. If the Commission is not inclined to accept IIEC's proposal, then, in the alternative, instead of eliminating the first tier, AIC's initial three tier ¢/kWh value could be modified to a lower value, say 0.025 ¢/kWh, in order to avoid high rate impact for certain customers, as proposed by AIC in surrebuttal testimony (Ameren Ex. 7.0, 35.) Although neither constrained class revenue allocation is perfect, both are better than AIC's initial proposal which leads to very high rate impacts on DS-4 subclasses.

To be clear, Staff is not opposed to AIC's constrained revenue allocation proposal. Staff notes, however, the apparent inconsistency between AIC's support for the rate limiters for the benefit of grain drying customers, and the apparent lack of concern for other large customers. In other words, while the Rate Limiter Credits for grain dryers will be reduced each of the next 3 rate years and be eliminated completely by the next rate redesign proceeding (gradual approach that helps the grain dryers), this is contrasted with enormous increases in delivery service rates for some of AIC's largest customers (i.e. DS-4 subclasses) who do not happen to be grain dryers. Staff considers IIEC's proposal as a justified modification, not a complete barrier to AIC's goal of moving the DS-4 class closer to cost.

2. Rate Mitigation Alternatives

Please refer to Section III.b.i.1. for a complete discussion of rate mitigation alternatives.

IV. RATE DESIGN

A. Resolved Issues

i. Methodology for Setting Uniform Charges Across Rate Zones

Staff and the Company agree regarding Ameren's proposed methodology for moving toward uniform rates. (Staff Ex. 2.0, 4-7; Ameren Ex. 4.0, 6-7.)

ii. Use of Average Cost Data for DS-3 and DS-4 +100kV Customers

Staff and the Company agree regarding Ameren's proposed adjustment to DS-3 and DS-4 +100 kV customers to use average cost data. (Staff Ex. 2.0, 9-10; Ameren Ex. 4.0, 6-7.)

iii. DS-5 Fixture and Distribution Delivery Charges

Staff and the Company agree regarding the Company's proposed rate uniformity methodology for setting DS-5 Fixture and Distribution Delivery charges. (Staff Ex. 2.0, 11-12; Ameren Ex. 4.0, 6-7.)

iv. Electric Uncollectible Recovered in Base Rates

Staff and the Company agree regarding the Company's proposal to condense the uncollectibles recovered in base rates to a single non-residential value. (Staff Ex. 2.0, 17-18; Ameren Ex. 4.0, 6-7.)

v. Allocation of Reconciliation Balance to Electric Distribution Tax

Staff recommends that the Commission accept the Company's alternative treatment of EDT true-up reconciliation amounts, whereby said amounts would be assigned based on the proportion of zonal kWh to total kWh. For example, if the total reconciliation is $70 million and $4 million is attributed to the EDT expense, that $4 million amount would be spread to each Rate Zone based on the proportion of zonal kWh to total kWh. (Ameren Ex. 7.0, 8.) This approach was proposed by the Company and accepted by Staff for purposes of resolving a contested issue between Staff and AIC as noted in the surrebuttal testimony of Ameren witness Mr. Leonard M. Jones, Ameren Ex. 7.0, ll. 165-173. (*See* AIC Cross Exhibit 2.)

vi. Other Meter, Transformation, Reactive Demand, and Distribution Delivery Charges

Staff and the Company agree regarding Ameren's proposed method to set Meter, Transformation, Reactive Demand and Distribution Delivery Charges. (Staff Ex. 2.0, 13-14; Ameren Ex. 4.0, 6-7.)

vii. Use of SFV Rate Design for DS-2 Customer Charge

Staff and the Company agree regarding Ameren's proposed increases in the percentage of SFV fixed cost recovery for DS-2 in this proceeding only. (Staff Ex. 2.0, 12-13; Ameren Ex. 4.0, 7-8.)

viii. Miscellaneous Tariff Changes

Staff and the Company agree regarding the Company's proposed miscellaneous tariff changes. (Staff Ex. 2.0, 18-19; Ameren Ex. 4.0, 7.)

B. Contested Issues

i. Transformation Capacity Charge for Rate Zone II DS-4 +100 kV

Staff recommends the Commission reject the Company's proposal to reduce the Transformation Charge for the DS-4 +100 kV Supply Voltage service customer group for Rate Zone II for existing customers as of December 31, 2012 ("Transformation Charge"). The Transformation Charge has been uniformly set for all three rate zones and should not be reduced for these specific customers. The Company's proposal departs from rate uniformity and could create customer confusion.

The Company's goal is to move toward greater rate uniformity and the Commission has endorsed this goal. (Staff Ex. 2.0, 4-5.) The Company's proposal to lower the Transformation Charge for the DS-4 +100 kV Supply Voltage service customer group for Rate Zone II would take a rate that is already uniform and make it non-uniform. This moves away from, rather than closer to, rate uniformity. (Staff Ex. 2.0, 10.) It is also inconsistent with the Company's own proposal in this proceeding to leave rates uniform once they reach rate uniformity. (Ameren Ex. 1.0, 28-29.)

Furthermore, the Company's proposal could create customer confusion. The Company proposes to charge a different rate for providing the same service to customers in the same customer class in the same rate zone. It is not clear that a customer in Rate Zone II signing up for this service after 2012 would understand why it must pay a higher rate than other customers who are already receiving the very same service in Rate Zone II. (Staff Ex. 2.0, 11; Staff Ex. 5.0, 4-5.) This creates potential confusion rather than enhancing public understandability. *See* 220 ILCS 5/1-102 (d)(ii).

The Company argues that its proposal to lower the Transformation Charge for Rate Zone II DS-4 +100kV customers should be accepted because it would enable the electric distribution tax ("EDT") rate to move closer to uniformity. The Company further argues that either the Transformation Charge for the Rate Zone II DS-4 +100kV customers must deviate from uniform pricing or the EDT cost recovery charge must ultimately deviate from cost-based pricing for the sub-class. (Ameren Ex. 4.0, 11.) However, these arguments fail to adequately consider that the Transformation Charge has already been uniformly set across the rate zones and the EDT has not yet been set at a uniform rate, the Company is still working toward the goal of uniformity for EDT. The Company's proposed EDT rate for this sub-class should be reduced so that this sub-class does not produce more than its share of the total allocated revenue requirement. As for rate uniformity, the Company's proposal would reduce the number of rates that are uniform, whereas Staff's proposal maintains uniformity already established and still provides for some movement toward rate uniformity for the EDT. (Staff Ex. 5.0, 4.)

For all these reasons, the Transformation Charge should remain uniform and the EDT Cost Recovery Charge proposed by the Company should be reduced so that this sub-class does not produce more than its share of the total allocated revenue requirement. (Staff Ex. 2.0, 13-14; Staff Ex. 5.0, 4-5.)

ii. Seasonally Differentiated Rates for the DS-3 and DS-4 Classes

1. Timetable for Elimination of DS-3 and DS-4 Rate Limiter Credits

Staff recommends the Commission approve the timetable for the elimination of DS-3 and DS-4 rate limiter credits agreed to between Ameren and the GFA. (Staff Ex. 5.0, 3.)

2. Proposed DS-6 Temperature Sensitive Delivery Service

Staff recommends the Commission approve Ameren's proposal to establish DS-6 Temperature Sensitive Delivery Service rates with the modifications agreed to between Ameren and the GFA. (Staff Ex. 5.0, 2-3.)

iii. Use of SFV Rate Design for DS-1 Customer Charge

Staff and the Company agree regarding Ameren's proposed increases in the percentage of SFV fixed cost recovery for DS-1 in this proceeding only. (Staff Ex. 2.0, 12-13.)

V. CONCLUSION

WHEREFORE, for all of the following reasons, Staff respectfully requests that the Commission's order in this proceeding reflect all of Staff's recommendations regarding the Company's tariffs and charges submitted pursuant to Section 16-108.5(e) of the Public Utilities Act.

January 7, 2014

Respectfully submitted,

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